

# **DOING BUSINESS IN AFGHANISTAN**

## **A COUNTRY COMMERCIAL OVERVIEW**

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## Executive Summary

Afghanistan's ethnically diverse population of 25 million is slowly coalescing around the goal of national unity, and exhibits a groundswell of support for economic and political progress. The Transitional Islamic State of Afghanistan (TISA), installed following the June 2002 *Loya Jirga* (grand council), faces the Herculean task of transforming an economy that passed through a Communist regime, a civil war, and the extremist Taliban regime in succession. It is a relatively business-friendly government that is trying to embrace market principles, although it is lacking in experience and trained personnel. At the same time the TISA must provide basic social and humanitarian aid to a population – which is growing rapidly due to a massive return of refugees – with some of the worst social indicators in the world. The government must also work quickly to rebuild the country's physical infrastructure, which has been largely destroyed. In the midst of all this, the security situation in Afghanistan is still tenuous and is a critical factor affecting politics, governance, and business. U.S. firms interested in business development in Afghanistan should closely monitor the current security environment.

**Afghanistan is in the midst of a fundamental political, economic, and social transition following nearly 23 years of war and upheaval.**

**The TISA passed an Investment Law in July 2002 with considerable tax holidays and other incentives to encourage domestic and foreign investment.**

A significant international effort to reconstruct Afghanistan is currently underway, led by the United States and other international donors. Substantial short-term opportunities for U.S. firms are linked to the donor reconstruction effort. U.S. firms are advised to monitor programs established by international financial institutions such as the World Bank and the Asian Development Bank as well as projects that may be established by the U.S. government's \$1.2 billion

acceleration program. Limited Afghan purchasing power will hinder large scale U.S. exports to this country for the foreseeable future, although there will be niche markets for specific products. The nascent commercial banking system, lack of proper telecommunications, developed transport links and a functioning legal system make this a difficult market, but one with substantial opportunities for U.S. business. Business infrastructure, while virtually non-existent in Afghanistan, is improving rapidly. In September 2002, President Hamid Karzai signed his country's new "Law on Domestic and Foreign Private Investment in Afghanistan", allowing, among other things, 100% foreign ownership, full transferability of profits outside of the country, international dispute resolution mechanisms, and stream-lined investment licensing procedures. Since the passage of the investment law, over 5,700 investment licenses have been approved.

Afghanistan's Ministry of Commerce inaugurated in September 2003 the Afghan Investment Support Agency (AISA), a "one-stop shop" for foreign investors to receive necessary documents and other information for establishing a business venture. The Afghan government has considered privatization of

**The Afghan Investment Support Agency is your one-stop resource for establishing an investment venture.**  
[www.aisa.org.af](http://www.aisa.org.af)

state industry and the development of oil, gas, and precious and semi-precious stones to attract foreign investors, but progress in these areas has been limited.

## **Afghanistan: The Basics**

Afghanistan, a country slightly smaller than the size of Texas, is landlocked, being surrounded by Iran, Turkmenistan, Uzbekistan, Tajikistan, China, and Pakistan. While precise data on Afghanistan's population is sketchy, the present in-country population is estimated at 20 to 25 million (if all refugees were to return). Afghanistan's various ethnic groups have a profound impact on its political, social and business fabric. The mix includes Pashtuns (38%, est.), Tajiks (25%, est.); Hazaras (19%, est.), Uzbeks and other minor ethnic groups. Kabul, Afghanistan's capital, has a population of over two million, with other major cities including Kandahar (pop. 235,000), Herat (200,000), Mazar-i-Sharif (150,000) and Jalalabad (70,000) (note: figures are 1988 UN estimates and are likely now much higher). Afghanistan's 20-plus years of conflict generated the largest refugee outflow in the world, with, at its peak, nearly six million refugees living primarily in Pakistan and Iran. Over one million refugees returned to Afghanistan in the first six months of 2002. The primary languages are Dari (Afghan Persian) and Pashtu. Afghanistan has primarily an arid climate with warm summers and cold winters. The Hindu Kush mountain range runs from northeast to southwest through the middle of the country.

Afghanistan is only now emerging from an extended period of war, extended drought, and chaos. A 1978 communist coup and the December 1979 Soviet invasion of Afghanistan began a period marked by dramatic economic decline, social upheaval, and bloodshed. The departure of Soviet forces in February 1989 began a period of civil war through 1996. In September 1996, the Taliban came to power (although civil war continued), beginning a period of deep international isolation, further economic decline, and another exodus of Afghans to neighboring countries. Dramatic political and military changes have taken place in Afghanistan following the terrorist attacks of September 11, 2001. The military intervention of U.S.-led coalition forces resulted in the ouster of the Taliban in late 2001. This led to the formation of a provisional government, the beginning of a massive reconstruction effort, and an extensive U.S. and international presence that will support Afghanistan's economic recovery and generate opportunities for U.S. firms. The TISA is currently working towards establishing the necessary institutions and structures to convene the Constitutional *Loya Jirga* in December 2003 and hold national elections in June 2004.

## **Political Snapshot**

Following the rout of the Taliban in 2001 to 2002 and the establishment of an interim government committed to a democratic system of government, major steps were taken to return Afghanistan from its international isolation. Through talks in Bonn sponsored by the United Nations, agreement was reached in December 2001 to establish a six-month interim government known as the Afghan Interim Authority (AIA). Hamid Karzai, an ethnic Pashtun from Kandahar province (southern Afghanistan), was elected as its Chairman. The AIA held power until June 22, 2002, when the *Loya Jirga* (grand council) met to create a transitional authority, leading to a new constitution and a fully

representative electoral process. Chairman Karzai was elected President of the Transitional Islamic State of Afghanistan (TISA), which also includes a 29-member cabinet. The transitional government represents a mix of diverse ethnicities and will serve until the June 2004 election. The TISA faces a monumental task of reconstruction, including strengthening the security situation country-wide, provision of basic human needs to the population, development of a functioning government, absorption of up to 3.5 million refugees returning from abroad, and reintegration of Afghanistan into the global marketplace.

## Structure of Government

The Transitional Islamic State of Afghanistan (TISA), to serve until new elections are called in 2004, is headed by President Hamid Karzai. President Karzai leads a cabinet of four vice presidents and 29 ministers with various political, economic, social, and security portfolios. A future parliament or National Assembly is a topic of much discussion but was not clearly defined during the June 2002 *Loya Jirga*. There is a court system in Afghanistan. However it is only now beginning to regain its place in business and society.

## Economic Snapshot

Afghanistan is a poor country that now needs to rebuild an economy largely destroyed following extended war and unrest. The TISA is focusing on reviving the economy, particularly in agriculture, energy, housing, education, and export-related industries as part of its efforts to feed the population, create jobs, attract foreign investment, and earn desperately needed hard currency.

Reliable economic statistics on the Afghan economy do not exist. However the gross domestic product (GDP) is estimated at \$3 billion, and GDP per capita at about \$115 per year. Afghanistan, once a net agricultural exporter and now an importer, has various crops, including grain, barley, and other commodities. Afghanistan used to be the world's largest exporter of raisins, and was a major producer of grapes, melons, and other fruit. A disastrous drought, which began in 1999, has destroyed large tracts of agricultural land and livestock. However, increased rainfall from 2001 to 2003 has helped to alleviate this situation.

**Afghanistan's economy is primarily made up of agriculture (65% of GDP), light industry (20%) and trade.**

Afghan carpets, world famous for their quality and craftsmanship, represent a major opportunity to develop hard currency export earnings. Afghan carpets often fetch thousands of dollars via specialty dealers in the U.S. and Europe, and represent Afghanistan's best short-term prospect for re-establishing trade relations in the global marketplace. Other light industries include leather and leather processing, precious and semi-precious stones, and marble. These sectors present opportunities for American companies, including sales and distribution, equipment, and capital investment.

After decades of insufficient investment, Afghanistan is seeking public and private sector capital to rehabilitate and develop its energy sector. Based on Soviet-era estimates, Afghanistan holds about five trillion cubic feet of natural gas and 100 million barrels of oil reserves. All significant oil and gas exploration and development has occurred in northern Afghanistan, particularly in the area near Sheberghan and Sar-i-Pol. Due to the use of Soviet-era technology and other factors, Afghanistan's undiscovered natural gas resource base is at least several times greater than what has been proved to date. Afghanistan currently has three gas fields under production, with output levels just a fraction of northern Afghanistan's demand requirements. Since the 1970s, various proposals have been made to build a domestic gas pipeline from northern Afghanistan to Kabul, where potential gas demand for power generation and industry could be met. In May 2002, the leaders of Afghanistan, Pakistan, and Turkmenistan signed a Memorandum of Understanding (MOU) to construct a gas pipeline from the super-giant Dauletabad gas field in southeastern Turkmenistan to markets in Pakistan and possibly India. The Asian Development Bank (ADB) recently completed a feasibility study for a trans-Afghan gas pipeline. Private sector interest in this project remains limited, partly because of the uncertainty about the ability to access Indian gas markets.

Afghanistan's power sector is in need of sizable investment, due to a combination of the direct effects of war, a lack of maintenance, and the theft of spare parts and equipment. Afghanistan has a total installed capacity of 420 megawatts (MW), most of which was built by Soviet, West German and U.S. firms in the 1960s and 1970s. In addition to generation problems, Afghanistan has severe transmission and distribution limitations. There is no national grid, so power generators in the main load centers operate independently. Afghanistan is importing increasingly large volumes of electric power from Turkmenistan, Uzbekistan, and Tajikistan. Plans to string additional and higher-voltage transmission lines between these countries and Afghanistan – particularly from Uzbekistan to Kabul – eventually could lead to the basis for the creation of a regional power grid. The Ministry of Water and Power developed a list of 58 “priority” projects. The World Bank and other organizations also have provided funding to help Afghanistan develop a Master Plan for the electric power sector.

The year 2003 marked a substantial expansion of official Afghan trading relations with its neighbors and others. The U.S., EU, Japan and India all extended Generalized System of Preference-type trade privileges to Afghanistan in 2003, providing ample scope to favorable Afghan export potential. In addition, the TISA concluded two trilateral transit and trade agreements (Afghanistan-Iran-India and Afghanistan-Iran-Tajikistan) and four bilateral transit and trade agreements (with Iran, Turkmenistan, Uzbekistan and India). While Afghanistan retains substantial trade links with its

	2001	2002	2003 (Jan-Sept)
<b>Exports to Af.</b>	\$5.82m	\$80.01m	\$36.03m
<b>Imports from Af.</b>	\$11.88m	\$15.53m	\$11.4m
<b>Total Trade</b>	\$17.7m	\$95.54m	\$47.43m

southern neighbor, Pakistan, political relations remain strained, significantly depressing official trade flows. Trade with other neighbors, including Turkmenistan, Uzbekistan, Tajikistan and China, is growing slowly. U.S.-Afghan bilateral trade has grown from \$17.7 million in 2001 to \$95.54 million in 2002, and \$47.43 million through

September 2003. With the extension of U.S. Generalized System of Preferences (GSP) duty-free privileges in January 2003, and further investment and development of the Afghan private sector, this figure can be expected to continue rising through 2003 and 2004.

Transportation is a major obstacle to increased commerce in this landlocked country and is a major element of the reconstruction effort. Transportation is very difficult given the basic absence of road and rail infrastructure, with only 15 miles of railroad and less than 2,000 miles of paved roads at the beginning of reconstruction efforts. The U.S.-Japan-Saudi Arabian effort to rebuild the Kabul-Kandahar-Herat portion of the national ring road has made substantial progress. Current estimates project the U.S. Agency for International Development (USAID)-managed Kabul to Kandahar portion of the road will be completed by the end of 2003. Meanwhile, major highway construction is planned throughout the country. The Asian Development Bank is currently concluding plans for the construction of the northern portion of the ring road (from Herat to Pol-e Khomri), as well as for construction of the road linking Kandahar to Spin Boldak at the Afghan-Pakistani border. The World Bank project to link Kabul and Konduz, with an extension to the Afghan-Uzbek border at Shirkhan Bandar, is also underway. The EU and Pakistan are building a road from Kabul to the Torkham border crossing with Pakistan. Iran is improving upon the existing heavily traveled road between Herat and the Islam Qala border crossing. Finally, the most recent road project under consideration is an Indian-built road linking the town of Delaram (on the southern portion of the ring-road between Herat and Kandahar) and the Zaranj border crossing. Emergency repairs to Kabul International Airport have allowed limited commercial flights to begin, however much work remains to be done. The reopening of the Salang Tunnel in 2002 was a major step forward to open road links with northern Afghanistan and to improve road commerce. The Amu Darya (Oxus) River, which forms part of Afghanistan's border with Turkmenistan, Uzbekistan, and Tajikistan, has barge traffic. The reopening of the Termez-Hazarey bridge in 2002 opened links to Uzbekistan.

The banking system in Afghanistan has advanced greatly since 2002. The Central Banking Law and the Commercial Banking Law were finally promulgated in September 2003, clearing the way for new commercial banks to be licensed. Three commercial banks have now been licensed, with others in the pipeline. The banks are Standard Chartered (UK), the First Microfinance Bank of Afghanistan (an Aga Kahn/IFC joint venture), and the National Bank of Pakistan. There are also six parastatal banks from an earlier era that face substantial financial problems. The government is considering the future of these banks.

The Central Bank (DAB, Da Afghanistan Bank) offers some commercial banking services, such as processing of letters of credit and electronic fund transfers. A recent U.S. Agency for International Development (USAID) project helped connect Afghan banks to the SWIFT international electronic fund transfer system. The Central Bank intends to move out of commercial banking operations by June 2004, as commercial banks begin operations around the country. The Central Bank can also provide transfers and other banking services in provinces throughout Afghanistan. The Overseas Private Investment Corporation (OPIC) is in the advanced stages of establishing a commercial bank in late 2003.



The official Afghan currency is the afghani, accepted in most parts of the country. Afghanistan's Central Bank led a successful currency conversion in late 2002 and early 2003. The new afghani was converted at a ratio of 1 to 1000 of the old afghani. Since the conversion, the afghani has remained remarkably stable. The conversion also improves DAB's ability to formulate monetary policy and reduces the risks of counterfeiting. Finance Minister Ashraf Ghani referred to the currency conversion as the most important milestone for the TISA since the *Loya Jirga*. Street exchange rates are determined on an informal, daily basis, primarily between major money traders at the Kabul currency market. The afghani is freely convertible within Afghanistan. The exchange rate has remained in the range 49 or 50 afghanis per U.S. dollar for several months.

Unemployment is a major issue for the TISA, with rates running as high as 50% in Kabul and even higher outside of the capital. The average monthly salary in Kabul is about US\$10 per month, with wages much lower outside the capital. English-speaking Afghan professionals are in short supply, but returning Afghan expatriates from neighboring countries may alleviate this situation in the shorter-term. Privatization has been discussed by the TISA, and President Karzai formed a Commission for Privatization of State Owned Enterprises in 2002. However, so far no concrete movement towards privatization has taken place. This said, there are nearly 80 state owned enterprises that have been fully evaluated and are prepared for privatization if and when the TISA moves forward with a privatization program. There are no capital markets of portfolio investment vehicles to speak of in Afghanistan, and this prospect is many years away.

During the anarchic period of the 1980s and 1990s, the nation's phone lines were excavated by fighters digging trenches and often stripped for copper by scavengers. There are just 12,000 functioning telephones in Kabul, a city of nearly two million. The Ministry of Communications has moved aggressively to improve communications services throughout the country. In September 2002, the Ministry

**The April 2002 launch of Afghan Wireless Communications Corp. (an American-Afghan joint venture) has greatly improved communications within Kabul, with plans for further rollout in outlying provinces.**

of Communications issued a tender for a second wireless license. Prospects for communications have improved considerably by mid-2003. The first wireless service provider, the American firm Afghan Wireless Communications Company (AWCC) reached agreement with the Ministry of Commerce in early July 2003 for an extension of its service license, and plans a major upgrade and expansion of existing services. The second wireless service provider, the Aga Khan-Alcatel led consortium, Telecommunications Development Company of Afghanistan, operating under the name "Roshan" in Afghanistan, commenced operations in Kabul in July 2003. Roshan plans to operate in several major provincial centers as well. In addition, both firms anticipate greatly improved internet service capacity.



## Commercial Environment

Afghanistan is in the midst of a major transition from a war-ravaged economy to one based on market principles. This process will take years to accomplish, and the short-term priorities of the TISA are focused on basic elements of governing, including security and government services. While entrepreneurial Afghans continued to trade even throughout upheaval, the country's commercial infrastructure is only just beginning to establish the institutions necessary for modern international business. Afghanistan's commercial banking infrastructure is set to undergo major changes in the latter part of 2003 and 2004. The Central Bank of Afghanistan (Da Afghanistan Bank) has taken on various commercial banking responsibilities, including issuance of letters of credit and electronic funds transfers, until the private commercial banks are fully functioning. The long-awaited Central Bank Law and Commercial Banking Law was passed and is opening the way for the entry of foreign commercial banks in Afghanistan. The need for commercial banking services is acute. The lack of adequate payment systems and proper commercial banking facilities continues to expose public and private institutions to unnecessary financial risks. Interested businesses are urged to review the new Commercial Banking Law and conduct proper inquiries into available banking facilities early in their research process.

The present services available are electronic funds transfers and letters of credit. The majority of the letters of credit facilitate large donor projects. Third party letters of credit are available but on a prepaid basis. Citibank is providing services from Dubai, UAE, and Standard Chartered Bank, United Kingdom, is in the process of establishing an office in Kabul. Several Pakistani and Iranian banks are also poised to enter the commercial banking market.

Afghanistan is eager to reestablish long-standing trade relationships with its neighbors, Asia, Europe, and the United States. The United States granted Afghanistan least developed country designation in the U.S. Generalized System of Preferences (GSP) duty-free program in January 2003. Both the EU and Japan have also granted Afghanistan preferential trade arrangements. Meanwhile, Afghanistan has concluded bilateral (and in one case trilateral) trade agreements with various neighbors including Iran, Tajikistan and India. Trade relations with Pakistan have been vexed throughout the early tenure of the TISA by continuing political tensions. Ongoing U.S. and World Bank efforts to improve regional trade cooperation in South and Central Asia aim to remove existing trade barriers among Afghanistan's trading partners to the benefit of the region as a whole. At this time, there are no bilateral investment or trade treaties in place between the United States and Afghanistan.

Business development in Afghanistan is not easy for those with little international trade experience. Basic tools of doing business – from telecommunications to local staff to a decent hotel room – are in short supply and only now beginning to make the steep climb to international standards. Decision-making in the Afghan government is slow, bureaucratic, and at times non-transparent. Given the transient security situation throughout the country, insurance companies are very hesitant to issue coverage for cargoes consigned to or transiting Afghanistan. Political violence remains a general concern and needs to be factored into each business case.

The TISA, is putting in place a system of laws and regulations to encourage trade and investment in Afghanistan. In September 2002, the TISA ratified a new, investor-friendly ["Law on Domestic and Foreign Private Investment in Afghanistan."](#) This new law makes no distinction between foreign and domestic investors and seeks to apply international standards to accounting, capital transfer and dispute resolution. Investments in Afghanistan can be 100% foreign owned and foreign investors do not need to secure an Afghan partner. Previous requirements for foreign investors to deposit \$50,000 to obtain a commercial license, and domestic investors to place collateral amounting to half the value of the planned investment, are waived by the law. In late 2003, the Afghan government was working on a review of the investment law to further improve the country's investment climate. Finally, Afghanistan's Ministry of Commerce inaugurated in September 2003 the [Afghan Investment Support Agency \(AISA\)](#). The office will serve as a "one-stop shop" for investors to gather necessary documents and answer questions for launching an investment venture in Afghanistan.

Work continues with donor assistance on a wide range of trade and investment legislation, including customs, tax, civil code, and other areas affecting business. The Trade and Investment Consultative Group, led by Germany, also includes the U.S., India, the U.K. and other major Afghan trading partners. This Consultative Group represents a collaborative effort to coordinate Afghan government and donor nation policies designed to enhance Afghanistan's trade and investment capacity.

The June 2003 [Afghanistan: Rebuilding a Nation](#) trade and investment conference in Chicago – jointly sponsored by the U.S. Trade & Development Agency (USTDA) and the U.S. Department of Commerce – helped introduce over 400 participants to the [opportunities](#) available for trade and investment in Afghanistan and the regulatory and other structures either in place or in development. The legal system, including arbitration of commercial matters, is only beginning to rebuild and at this writing, does not play a role in adjudicating business disputes. Perhaps more daunting to international business operations, Afghanistan faces a severe shortage of qualified legal practitioners capable of providing detailed consultation on the legal requirements of establishing and conducting business operations in Afghanistan. It is hoped that the work of the Judicial Commission and other judicial and regulatory consultative bodies, which are currently assisting in the drafting of a myriad of new Afghan laws, will help establish a foundation of commercial law.

Strong local knowledge is a vital part of business development in Afghanistan. It is important to know the players, their relationships with the government and throughout the country, and their ability to do business with U.S. firms. Formal distribution and sales channels as known in the west do not exist in Afghanistan. Establishing an office remains more of an art than a procedure, and market savvy Afghans can help with the bureaucratic registration process. We strongly advise, however, that before aligning your business interests too closely with anyone purporting to serve as your conduit to the Afghan government, you check with the U.S. Embassy's Economic Section to review the bona fides of the individual in question. Several joint ventures are underway and planned in 2003 and 2004 with U.S., Pakistani, UAE, Turkish, Iranian and other international firms. Informal trade, often by people who physically travel back and forth to Iran and Pakistan, predominates. As reconstruction efforts continue, U.S. companies

have slowly begun to develop on-the-ground agents and distributors capable of advancing their interests in Afghanistan. As of this writing, there were no known marking and labeling requirements. However it is wise to have at least some Dari translation on any product intended for sale in Afghanistan.

Very few native Afghans speak English, but many returning expatriate Afghans speak English and a number of other European languages. Dari (Afghan Persian) and Pashto are the primary languages in Afghanistan. A reliable interpreter, guide, and advisor are the first order of doing business in Afghanistan whether in-country or offshore. While rates vary widely, educated Afghan professionals, fluent in English, Dari, and Farsi, earn up to US\$1,000 per month, paid in cash dollars. For travel within Kabul, a car and driver (no English) will run up to US\$30 to \$50 per day. Government ministries operate Saturday through Thursday from 8am to 4pm and are closed on Fridays. Commercial shops keep longer but varying hours, usually from 7am to 11pm.

## **The Reconstruction Effort**

The United States is spearheading the reconstruction effort and is the largest donor of humanitarian and development assistance to Afghanistan. In January 2002, the Tokyo Donors Conference resulted in the agreement of significant assistance commitments from the international donors group. At the Tokyo meeting, donors pledged \$4.5 billion over five years in assistance to Afghanistan, with \$1.8 billion implemented in 2002.

**Reconstruction efforts have attracted broad international support from donor organizations, bilateral programs, and non-governmental organizations.**

Management of the reconstruction effort is an enormous challenge in light of the limited technical and revenue generating capacities of the government and the large number of donors and implementing agencies. From 2001 to 2002, the assistance effort focused on relief, including provision of food, blankets, shelter, and other immediate needs. Several hundred donors and implementing partner organizations are involved in this massive effort. Some donors have already begun procurements of heavy machinery, including \$2 million of snowplow equipment and cargo trucks provided by the United Nations. Given the tremendous need to provide quick impact to the Afghan people and to create jobs in country, some donor agencies are handling procurements on a streamlined basis, often in Kabul. The high-profile Kabul-Kandahar-Herat road project is the most noteworthy example of streamlined procurement. The U.S. government's commitment of an additional \$1.2 billion to accelerate Afghan reconstruction efforts will bolster new and existing public and private sector reconstruction programs. Businesses interested in seeking business opportunities in Afghanistan in 2003 and 2004 should consider this recently inaugurated acceleration policy as an indication that the U.S. and the international community is committed to the long-term prosperity and stability of Afghanistan.

## **Selected Overview of Key U.S. Government and Donor Activities**

### **U.S. Agency for International Development (USAID)**

Since October 2001, the United States has provided well over \$1.8 billion in mostly humanitarian assistance to Afghanistan through the U.S. Agency for International Development. USAID has taken a leading role in the reconstruction effort, focusing on immediate relief including provision of food aid, wool blankets and quilts, shelter kits, and winterized tents. As part of rehabilitation and reconstruction efforts, USAID focuses on health clinics and basic health services, school construction and education programs, revitalizing agricultural through irrigation systems, farm-to-market roads, market centers, and better technology, and infrastructure, including the Kabul-Kandahar-Herat highway. USAID is also funding programs that enhance the central government's credibility and provide it with the tools and technical assistance to govern effectively.

The USAID Web site, [www.usaid.gov](http://www.usaid.gov), has a business and procurement link that lists upcoming procurements including solicitation documents, announcements, and other resources. This site is updated daily and offers e-mail notification when a new solicitation has been uploaded to the site. U.S. firms interested in bidding on USAID projects in Afghanistan can review requests for applications, proposals, quotations, and invitation for bids on this web site. U.S. firms should also review the main portal for U.S. government procurements at [www.fedbizopps.gov](http://www.fedbizopps.gov).

### **Overseas Private Investment Corporation (OPIC)**

OPIC, an independent agency of the U.S. government, offers specialty insurance (stand alone terror/sabotage and political risk coverage) and loans to help U.S. businesses of all sizes invest and compete in more than 140 emerging markets and developing nations worldwide. A \$100 million line of credit is available to projects that demonstrate a substantial U.S. participation, promise significant benefits to the economic and social development of Afghanistan, and foster private sector competition in Afghanistan. OPIC gives preferential consideration to projects that significantly involve U.S. small businesses. OPIC is actively developing several projects in Afghanistan. For example, OPIC provided up to \$35 million in financing and political risk insurance to support construction of a five-star international hotel in Kabul, managed by Hyatt International, and a direct loan of approximately \$3 million to support construction of 1,200 homes near Kandahar by AFCO International, a Virginia-based small business. For more information, please visit [www.opic.gov](http://www.opic.gov).

**OPIC offers a \$100 million line of credit to support U.S. investment in this country.**

### **U.S. Trade and Development Agency (USTDA)**

The U.S. Trade and Development Agency (USTDA) advances economic development and U.S. commercial interests in developing and middle-income countries. The agency funds various forms of technical assistance, feasibility studies, training, orientation visits and business workshops that support the development of a modern infrastructure and a

**USTDA has moved quickly to establish its program in Afghanistan, and already has approved a number of activities, totaling more than \$3 million.**

fair and open trading environment. USTDA moved quickly to establish its program in Afghanistan, and already has approved funding of about \$3 million for activities in that country.

Telecommunications – USTDA is providing funding for a policy advisor to the Ministry of Communications, sponsored the September 2002

Orientation Visit to the U.S. by the Minister of Communications to meet with U.S. companies and appropriate U.S. Government agencies, and funding for a feasibility study on a fiber optic telecom backbone network.

Oil and Gas – USTDA funded a Definitional Mission (DM) in the oil and gas sector (conducted by a USGS team ), approved funding for a feasibility study on a gas pipeline/power plant project and the first phase of a petroleum resource assessment, and sponsored an Orientation Visit to the U.S. by the Minister of Mines and Industries in January 2003.

Aviation – USTDA funded a DM in the civil aviation sector (conducted in part by FAA specialists), approved funding for technical assistance to develop a regulatory framework for the civil aviation sector and training for Afghan air traffic controllers, and sponsored an Orientation Visit to the U.S. of Afghan aviation officials in November 2002.

Higher Education – USTDA approved funding for a feasibility study on establishment of a private university in Afghanistan, modeled after the American University in Beirut.

Reconstruction Conference – USTDA cosponsored with the Commerce Department a conference on Afghan reconstruction in June 2003. This event, which attracted over 435 people, gave U.S. companies the opportunity to learn more about how they can participate in the reconstruction effort and to meet with Afghan officials to discuss specific [projects](#).

Power – USTDA sponsored an Orientation Visit to the U.S. by the Minister of Water and Power in December 2002 to meet with U.S. companies and relevant U.S. Government agencies.

Hotels – USTDA funded an assessment of hotel opportunities in Kabul. Based in part on that assessment, two hotel projects are currently under development.

Private Sector - USTDA is sending technical experts to Afghanistan to assist the government and growing private sector in identifying specific needs and in creating tailored strategies that will help guide the development of industry in Afghanistan, thereby stimulating trade and creating jobs for Afghan citizens.

### **Export-Import Bank of the United States**

Export Import Bank is not currently open for business in Afghanistan.



## **U.S. Department of Commerce's Afghanistan Reconstruction Task Force**

To facilitate U.S. company participation in the Afghanistan reconstruction effort, the U.S. Department of Commerce created the Afghanistan Reconstruction Task Force to support U.S. private sector involvement in reconstruction and to contribute to U.S. government efforts to promote bilateral trade and investment. The Task Force has highlighted several industry sectors for business development, including [electric power](#), [water and sanitation](#), [telecommunications](#), [natural resource mining](#), [transportation](#) and [construction](#). While Afghanistan reconstruction projects may provide U.S. companies with commercial opportunities, they also carry risks, not only financial, but also physical, due to the lack of security in many areas. Interested U.S. companies can call (202) 482-1812, visit the web site [www.export.gov/afghanistan](http://www.export.gov/afghanistan), e-mail questions to [AfghanInfo@ita.doc.gov](mailto:AfghanInfo@ita.doc.gov) for business counseling on opportunities in Afghanistan, or contact the U.S. Embassy in Kabul. For more information, please see the key contacts section below.

## **The World Bank**

In February 2002, the World Bank reopened its office in Kabul, where a country manager and a permanent staff of around 20 are now stationed. The Bank has been working closely with the government and bilateral and multilateral development agencies to help ensure that international assistance is well coordinated and efficient.

Since April 2002, the World Bank has committed \$186.8 million in grants and an additional \$128.4 million in no-interest loans, known as "credits", for development projects that are helping to meet urgent needs. The Bank is administering two grants, totaling \$3.5 million from the Japan Social Development Fund (JSDF) for community rehabilitation and local infrastructure development, and a \$1.5 million grant from the World Bank Post Conflict Fund to finance a number of refugee education projects being implemented by NGOs and United Nations-affiliated agencies. The World Bank is also helping the government develop its capacity to manage donor funds with transparency and accountability and to outsource program implementation to NGOs, the private sector, and communities.

In addition, the World Bank administers the multi-donor [Afghanistan Reconstruction Trust Fund](#), which provides coordinated financing of unfunded priority expenditures in Afghanistan's reconstruction program. Projects can be tracked at [www.dgmarket.com](http://www.dgmarket.com).

For more information, please visit [www.worldbank.org/afghanistan](http://www.worldbank.org/afghanistan) or contact William Crawford, U.S. commercial liaison at the World Bank: tel (202) 458-0120, fax: (202) 477-2967, e-mail: [wcrawford@worldbank.org](mailto:wcrawford@worldbank.org).

## **Asian Development Bank (ADB)**

The ADB's Board of Directors endorsed a Country Strategy and Program (CSP) for Afghanistan for 2002-2004 on May 28, 2002, paving the way for delivery of a \$200 million assistance package earmarked for 2002, and an allocation of \$300 million during 2003-2004. The funds will support national reconstruction, including capacity building,



rehabilitation of physical infrastructure, revitalizing agriculture and rural development, private sector development, social development, and gender empowerment.

ADB's 2002 assistance program for Afghanistan focused on capacity building, providing \$14.6 million for reconstruction and development and \$500,000 for disaster preparedness. ADB also initiated rehabilitation of the Kandahar-Spin Boldak road and community development activities in Kandahar with \$15 million in grant funding. ADB is striving to ensure visible signs of progress on key reconstruction needs prior to the June 2004 elections.

For more information on ADB activities in Afghanistan, please go to [www.adb.org/afghanistan](http://www.adb.org/afghanistan) and contact Frank Foster, U.S. Commercial Service Liaison Officer to the ADB at [Frank.Foster@mail.doc.gov](mailto:Frank.Foster@mail.doc.gov).

Given the major donor effort in Afghanistan, U.S. firms should also look to other potential project funding and contracting opportunities, including the United Nations, the International Finance Corporation, and non-governmental organizations.

## **Best Prospects for U.S. Suppliers**

Commerce is growing almost daily on Afghanistan's streets, mostly confined to store front and informal roadside trading. Afghanistan's need to completely renovate its infrastructure will present opportunities for American firms. However, this will be severely hampered in the short-term by the very limited purchasing power of the Afghan population.

**Business opportunities are driven by the overall rebuilding effort, donor assistance, and the ability of U.S. firms to participate in larger projects.**

Based on an informal study of the market in Kabul, the following U.S. goods and services appear to have strong demand. This list is not prioritized. However it does convey the broad, extensive nature of the potential import market in Afghanistan. For more information on these opportunities, contact the U.S. Embassy's Economic Section or the Commerce Department's [Afghanistan Reconstruction Task Force](#).

### *Short-Term Opportunities*

- Architectural, construction, and engineering services
- Building materials for both residential and commercial properties
- Computer hardware, software and peripherals (to include Dari language capability)
- Telecommunications services and equipment
- Diesel generators for independent power supply
- Education/training Services
- Consumer electronics
- Heavy equipment, including trucks, trailers and buses; motor graders, concrete mixers, heavy duty dumpers, paver finishers, and bulldozers
- Security and safety equipment

- Automobiles/light trucks/vans and development of dealerships for 4x4 vehicles (sales, parts, and service)
- Translation services, including simultaneous, conference style translation products.
- Office furniture

### *Medium-Term Opportunities*

- Aircraft/aircraft parts
- Airport/ground support equipment
- Electrical power systems
- Oil and gas field machinery, oil, gas and mineral exploration and production services
- Agricultural chemicals, machinery, equipment and services,
- Food processing and packaging equipment for nuts, raisins, and other fruits
- Irrigation planning and technologies
- Road upgrades, lighting and signage
- Transportation services (other than aviation)

**When considering opportunities in Afghanistan, keep the business plan simple, clear, and focused.**

Hard to maintain, expensive, high technology items will not sell well in Afghanistan. Competition from lower-quality, cheaper goods and services from Pakistan and Iran should be taken into consideration when preparing quotations. U.S. firms wishing to ship goods or equipment should look at quotes for consignment to Karachi, Pakistan. While trans-shipment through

Bandar-i-Abbas, Iran, is common, U.S. citizens and entities are forbidden from doing so without written approval by the U.S. Department of Treasury's Office of Foreign Access and Control.

### **Travel Warning for Afghanistan**

While the U.S. Embassy in Kabul encourages U.S. companies to review business opportunities in Afghanistan, it is important to keep in mind the fluid security situation in the country. Travelers should consult the State Department Web site ([www.state.gov](http://www.state.gov) - see Consular Information Sheet and Travel Warning Page) prior to any travel.

There is currently a high-level of danger in the north of Afghanistan. Due to a growing number of attacks against United Nations and private humanitarian workers and non-governmental organizations in northern Afghanistan in and around the city of Mazar-i-Sharif, the U.S. government warns American citizens, including those with experience in the area, against traveling to or residing in the Mazar area. Those currently in the Mazar area should review their security arrangements, contact U.S. military forces in the region to register their presence, and make preparations to depart.

## U.S. Embassy Kabul

The United States Liaison Office in Kabul was officially inaugurated as an Embassy on January 17, 2002. The Embassy does not provide passport or visa services. The Embassy's ability to provide emergency consular services to U.S. citizens in Afghanistan is limited. Embassy officials in Kabul cannot travel outside the capital to provide assistance to Americans. Afghan authorities can provide only limited assistance to U.S. citizens facing difficulties. The U.S. Embassy in Islamabad, Pakistan, provides most routine consular services to American citizens traveling to Afghanistan. U.S. citizens who choose to visit or remain in Afghanistan are urged to pay close attention to their personal security and to take those actions they deem appropriate to ensure their well-being. Americans in Afghanistan should avoid rallies or demonstrations. All U.S. citizens remaining in Afghanistan or planning to travel to the country are strongly urged to register with and obtain updated security information from the American Embassy in Islamabad, Pakistan, the U.S. Consulate in Peshawar, or the Embassy in Kabul. Contacts are provided at the end of this overview.

## Business Travel Tips for Kabul

Business meetings are usually conducted in English or Dari in the principal's office, often while sitting on couches. Green or black tea, nuts and raisins are served to greet guests. The form of greeting is Salam Aleykum (Peace be with you), followed by a firm handshake and then briefly placing your right hand over your heart. It is best to take several minutes initially to engage in pleasantries about each other's country, rather than going straight to business. Afghan interlocutors may appear vague and non-committal during meetings. In order to build trust and "get to yes," be patient, share meals and other social events, and discuss matters other than business. Capture the essence of your business meetings and agreements in a follow up letter to your Afghan interlocutor. Be clear about what you have committed yourself or your U.S. firm to do, or in many cases, have not committed to do. A promise to "look into" or "research" an issue, quote, or pricing policy is often interpreted here as a firm commitment.

**For a nuts-and-bolds guide to a successful start to business operations, read the [U.S. Embassy's Business Primer](#).**

Americans intending to travel to Afghanistan should carefully review the security situation and make travel decisions accordingly. Street crime against foreigners is still the exception rather than the rule, but foreigners make for easy targets given their prominence and perceived wealth. If out in the city, travel in pairs, be aware of your surroundings, and be in before dark.

Air transportation in and out of Kabul is spotty, and only is now beginning to take shape. Businesspersons can travel to Kabul on Ariana Afghan Airlines via Dubai, United Arab Emirates or Islamabad, Pakistan. Commercial air travel through Baku, Azerbaijan is also available through Azerbaijan Airlines (Azal). Finally, an American firm operating under the name of Swisskies, is planning to commence operations from the U.S. to Kabul via Geneva beginning in late 2003 or early 2004. Express mail services are offered by Federal Express, DHL and TNT.

Cash U.S. dollars and afghani are widely used as currency. Checks and credit cards are not accepted in Afghanistan. Hotel accommodations are spartan, with few acceptable hotels and minimal guesthouses. The Intercontinental Hotel is currently the only suitable hotel in Kabul for business travelers. However projects to build new hotel accommodations or renovate existing hotels are currently underway. Taxis around town should range between 20,000 to 40,000 afghanis (\$0.50 to \$1.00) per trip, but a dedicated car and driver are recommended. Afghanistan observes a five and a half day work-week, with Thursday afternoon and Friday as the days off. Saturday and Sunday are regular trading days.

Popular restaurants include Shandiz (Persian), Lai Thai, Golden Lotus, Marco Polo, B's Place, and Politano's. More restaurants are opening on a weekly basis to serve the growing expatriate population in Kabul. The tap water is not potable in Afghanistan; only bottled water, preferably sparkling, should be consumed. As Afghanistan is an Islamic country, alcohol is usually not sold or served in restaurants or hotels. Some restaurants catering to the expatriate population will sell alcohol to foreigners. As large parts of Kabul have been destroyed by war, acceptable housing is at a premium, with rents often going for several thousands of dollars per month.

The weather in Afghanistan is very dry, with summer highs into the 100s F and winter lows into the 20s F with snow. Kabul is very dusty, and shoes and clothes are difficult to maintain. Western-style medical care is not available in Afghanistan. Travelers should bring all necessary medications, both prescription and over-the-counter. Travelers with chronic medical conditions should defer travel to Afghanistan. Afghanistan is in a malarial zone. Afghanistan is on a 220v, 60 cycle electrical system, using European round, two-prong plugs. For more information on travel and medical conditions in Afghanistan, visit [www.travel.state.gov](http://www.travel.state.gov) and [www.cdc.gov/travel](http://www.cdc.gov/travel).

## **Key Contacts**

### **U.S. Government Contacts**

#### **Jana Nelhybel**

Afghanistan Reconstruction Task Force

U.S. Department of Commerce

Washington D.C. 20230

Tel: [1] (202) 482-1812

Fax: [1] (202) 482-0980

E-mail: [afghaninfo@ita.doc.gov](mailto:afghaninfo@ita.doc.gov)

Web site: [www.export.gov/afghanistan](http://www.export.gov/afghanistan)

**U.S. Embassy Kabul**

Great Masood Road

Tel: [93](2) 29-00-02, 29-00-05, 29-01-54

Inmarsat Tel: [873](761) 83-79-27

Inmarsat Fax: [873](761) 83-73-74

E-mail: [hawkinsj@state.gov](mailto:hawkinsj@state.gov)

E-mail: [rosssm@state.gov](mailto:rosssm@state.gov)

Zalmay Khalilzad, Ambassador-designate

David Sedney, Deputy Chief of Mission

Jeff Hawkins, Political/Economic Counselor

Shannon Ross, Economic/Commercial Officer

Note: The U.S. Embassy in Kabul is staffed with an Economic/Commercial Officer, who works closely with U.S. government agencies and the Afghanistan Government on commercial matters. Phone and fax communications in Afghanistan continue to be unreliable. E-mail is usually the most reliable form of communication.

**U.S. Embassy Islamabad**

Consular Section

Ramna 5, Diplomatic Enclave

Islamabad, Pakistan

Tel: [92](51) 208-02700

Fax: [92](51) 282-2632

Web site: <http://usembassy.state.gov/islamabad/wwwhcvsp.html>

**Dan Stein**

Regional Director for Eurasia

U.S. Trade & Development Agency (USTDA)

Suite 1600

1000 Wilson Boulevard

Arlington, VA 22209

Tel: [1] (703) 875-4357

Fax: [1] (703) 875-4009

E-mail: [dstein@tda.gov](mailto:dstein@tda.gov)

Web site: [www.tda.gov](http://www.tda.gov)

**Abed Tarbush**

Overseas Private Investment Corporation (OPIC)

1100 New York Avenue NW

Washington, DC 20527

Tel: [1] (202) 336-8400

Fax: [1] (202) 408-9859

E-mail: [atarb@opic.gov](mailto:atarb@opic.gov)

Web site: [www.opic.gov](http://www.opic.gov)

**U.S. Agency for International Development**

Web site: [www.usaid.gov/afghanistan](http://www.usaid.gov/afghanistan)

## **Afghan Government Contacts**

### **Embassy of Afghanistan**

2341 Wyoming Avenue, N.W.  
Washington D.C. 20006  
Tel: [1](202) 483-6410  
Fax: [1](202) 483-6487  
E-mail: [contact@afghanistanembassy.org](mailto:contact@afghanistanembassy.org)  
Web site: [www.afghanistanembassy.org](http://www.afghanistanembassy.org)

### **Hamid Karzai**

President  
Transitional Islamic State of Afghanistan  
Presidential Palace  
Kabul, Afghanistan

### **Abdullah Abdullah**

Minister of Foreign Affairs  
Transitional Islamic State of Afghanistan  
Kabul, Afghanistan  
Tel: [93](20) 210-3064 (Protocol Dept.)  
Inmarsat Fax: [873](762) 32-14-51  
(Adib Farhadi is the Director for Business Affairs in the Ministry and oversees all commercial matters)

### **Ashraf Ghani Ahmadzai**

Minister of Finance  
Transitional Islamic State of Afghanistan  
Kabul, Afghanistan

### **Mohammad Masoom Stanakzai**

Minister of Communications  
Transitional Islamic State of Afghanistan  
Kabul, Afghanistan  
Tel: [93](20) 210-1100  
Web site: <http://af-com.ministry.org>

### **TBD**

Minister of Mines and Industries (Across from the Ministry of Finance)  
Transitional Islamic State of Afghanistan  
Kabul, Afghanistan  
Tel: [93](20) 210-0309



**Sayed Mustafa Kazemi**

Minister of Commerce  
Transitional Islamic State of Afghanistan  
Karti Sey  
Kabul, Afghanistan  
Mobile: [93](70) 27-62-90  
Inmarsat Fax: [873](763) 090 711  
Email: [commerce@mail.gr](mailto:commerce@mail.gr)

**Afghan Investment Support Agency**

Opposite Ministry of Foreign Affairs  
Kabul  
Tel: [93](20) 210-3220  
Fax: [93](20) 210-3228  
E-mail: [invest@aisa.org.af](mailto:invest@aisa.org.af)  
Web site: <http://www.aisa.org.af>

**Mohammad Amin Farhang**

Minister of Reconstruction  
Transitional Islamic State of Afghanistan  
Great Masood Road  
Kabul, Afghanistan  
Tel: [93](20) 210-0328 or 210-0329  
E-mail: [a.farhang@aia-afg.org](mailto:a.farhang@aia-afg.org)

**Mirwais Saddiq**

Minister of Tourism and Civil Aviation  
Transitional Islamic State of Afghanistan  
Kabul, Afghanistan  
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Inmarsat Fax: [873](763) 09-06-10  
E-mail: [mocat@yahoo.com](mailto:mocat@yahoo.com)

**Saeed Mohammad Ali Jawad**

Minister of Transportation  
Transitional Islamic State of Afghanistan  
Kabul, Afghanistan  
Tel: [93](20) 29-00-87  
Tel: [93](20) 210-1371  
Mobile: [93](70) 27-62-91

**Sayed Hussain Anwari**

Minister of Agriculture and Livestock  
Transitional Islamic State of Afghanistan  
Karti Sakhi, District 5 (Across from Faculty of Agriculture)  
Kabul, Afghanistan  
Tel: [93](20) 250-0315  
Mobile: [93](70) 27-82-08

**Mohammed Shaker Kargar**

Minister of Water and Power  
Transitional Islamic State of Afghanistan  
Badan Bagh  
Kabul, Afghanistan  
Tel: [93](20) 240-1301  
Mobile: [93](70) 84-48-44  
Fax: [93](2) 29-00-85

**Rashid Janbaz**

Chairman of Planning and Finance  
Kabul Municipality  
Kabul, Afghanistan  
Tel: [93](70) 27-56-78

**Other Useful Contacts****Afghanistan Wireless Communication Corporation** (mobile telephone)

Address: c/o International hotel and ministry of communications building, Mohammad Jan Khan Watt Kabul Afghanistan  
Tel: [93] (20) 20-00-00  
Fax: [93] (20) 20-02-00  
Web site: [www.afghanistanwireless.com](http://www.afghanistanwireless.com)

**Intercontinental Hotel**

Address: Bagh-I-Balla Kabul Afghanistan  
Inmarsat Tel: [873](761) 46-96-90  
Inmarsat Fax: [873](761) 46-96-91  
Afghan wireless: [93](2) 29-00-43

**Federal Express Mail Services**

Karte 3  
Khai Street (North of Ministry of Commerce)  
House #326  
Kabul  
Tel [93] (0) 20 250-0525  
Mobile [93] (0) 70 286-028/29  
Fax [93] (0) 20 250-0524

**DHL Express Mail Services**

Address: Wazir Akbar Khan next to Burhanuddin Rabani's house, behind the U.S. Embassy.  
Mobile: [93](70) 27-63-62, 27-63-63 or 27-64-25  
E-mail: [shanlon@af.dhl.com](mailto:shanlon@af.dhl.com)

**TNT Express Mail Services**

Address: Cross road Turabaz Khan toward Charahee Sher Pur Rd. Kabul Afghanistan

Tel/Fax: [93](20) 29-02-18

Mobile: [93](70) 27-65-03